Is The Pool Insured?

It is important to recognize that there are two applications of this question.

1. Insurance applied to credit risk of investment holdings.

There is no insurance applied to individual securities, sectors of the portfolio, or the portfolio in general. However, due to the characteristics of the PMIA portfolio, credit risk is minimal. Often insurance is considered a less expensive way of maintaining credit quality, i.e. insuring a single A bond to bring it to a AAA rating is less expensive than buying the AAA bond outright. Certain provisions regarding trigger mechanisms for policies to become effective are judged to be improbable. One such provision is the requirement that all investment earnings be exhausted before insurance coverage becomes effective.

2. Insurance applied to fraudulent acts or lack of fidelity on the part of program administrators or custodial services providers.

The State is self-insured. Any claim against the portfolio would go to the Board of Control. Any fraud assertions would be heard by the Attorney General's office. Any judgment awarded would be appropriated by the Legislature. Risk management controls at third-party designated depositories provide insurance coverage through a combination of blanket bonds and all-risk policies. Since by custom all PMIA investments are domiciled at third-party depositories, losses on these securities due to fraudulent acts or lack of fidelity by officers or employees of these institutions are insured. Risk management controls cover losses ranging up to $500 million, depending on the incident.